

PRODUCTIVITY ANALYSIS OF INDIAN COMMERCIAL BANKS: A COMPARATIVE STUDY OF PUBLIC PRIVATE AND FOREIGN SECTOR BANKS

R. K. UPPAL¹ & RUPANI²

¹Head, Department of Economics, DAV College Malout, Punjab, India

²Research Scholar, Department of Mgmt. & Hum., SLIET longowal, Punjab, India

ABSTRACT

The competition in the banking industry is increasing day by day. It is very difficult to retain the customers. To improve the service to delight the customer it is essential to know the parameters which helps to study the productivity of banking industry. So this research paper is focused to study and analyze the productivity of Banking Industry i.e. Public, Private and Foreign Sector banks. Also the essential part is to study the productivity in the Pre and Post Mature IT era

KEYWORDS: Productivity, Public Sector Banks (PSBs), Private Sector Banks, Foreign Sector Banks, Information Technology (IT), Average, Standard Deviation (SD)

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INTRODUCTION

The implementation of IT – Information Technology in the Banking Industry revolutionized the operational efficiency and enhanced the productivity drastically. The Public Sector Banks transformed themselves from the manual operational system to Computerized system but the other two sectors mostly started operations in the IT era. Now in this study the 17 parameters are taken to study the productivity of Public, Private and Foreign sector banks. The transactions through e-channels cost much less than the physical transactions and also take much less time than earlier. It clearly indicates the Productivity enhancement in the banking sector. In this paper the inter sector productivity measured of all the above mentioned three Banking sectors.

REVIEW OF LITERATURE

Uppal R.K. & Kaur, R. (2007): Authors made an attempt to study the influence of implementation and adoption of Information Technology on Indian Banking Industry. The productivity of Banks was measured on the basis of various parameters. Authors favored the impact of computerization and concluded that the technology is changing with time and the banking industry is adopting the changes which is for the better future of the Industry.

Shroff, F.T. (2007): Author tried to find that how the banking industry transformed itself over the time and the issues regarding the changes were also discussed in the study. The banking system of other countries was also mentioned in study. The author concluded that the Indian banking industry is on the verge of complete radical transformation. The change in the structure of the Banking sector will bring prosperity in the system and it will

ultimately lead to increase the productivity and efficiency of the banks.

Verma, (2000): Author analyzed the Impact of Information Technology ob Public sector banks and new private sector banks. As the Public Sector Banks are existing from long time ago, it has to go through the transformation from manual system to online channels. So it will be a great challenge for Public Sector Banks. on the other hand the new private banks are completely computerized and having better efficiency than Public Sector banks. this study highlighted the Pro & Cons of implementation of IT to both Banking sectors under study.

OBJECTIVE OF THE STUDY

- To analyze the productivity of the Inter-sector differentials of selected Public, Private and Foreign Sector Banks.

RESEARCH METHODOLOGY

The study is based on measurement of Productivity on the basis of some Parameters. By review of literature seventeen (17) parameters have been selected to measure the productivity of Public, Private and Foreign banks under study. All the parameters have been shown in the table number 2. Statistical Methods like Mean, standard deviation (SD) and F- Test is used to measure the significant variations. Time Period of the study is 14 years i.e. year 2000-2001 to 2013-2014.

SELECTION OF BANKS

The list of selected banks has been shown in the following the table number 1. Five number of bank from each Public, Private and Foreign Sector Banks are randomly selected for the study. While selecting the banks the factor of market share was also taken into consideration.

Table 1: List of Public, Private and Foreign Sector Banks under Study

Bank Group	Sr. No.	Name of the Bank
G-I(Public Sector Banks)	1	State Bank of India (SBI)
	2	Bank of Baroda (BOB)
	3	Bank of India (BOI)
	4	Canara Bank (CB)
	5	Punjab National Bank (PNB)
G-II(Private Sector Banks)	1	Axis Bank (UTI Bank)
	2	ICICI Bank
	3	HDFC Bank
	4	Kotak Mahindra Bank
	5	Indusind Bank (INDUS)
G-III(Foreign Sector Banks)	1	CITI Bank
	2	Standard Chartered Bank (SCB)
	3	HSBC Bank
	4	DBS Bank
	5	American Express Bank

Inter Sector Comparison of Productivity Ratio in Public Private and Foreign Sector Banks

Deposits per Employee

Information given in Table 2 showed the inter sector comparison of productivity ratio in public, private and foreign sector banks. Average deposits per employee were Rs. 3.53 crore in Public Sector banks, Rs. 3.46 crore in Private Sector Banks and Rs. 7.87 crore in foreign banks. The analysis further revealed that deposits per employee were

significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 7.96.

Advances per Employee

Average advances per employee were Rs. 2.54 crore in Public Sector banks, Rs. 2.81 crore in Private Sector Banks and Rs. 6.49 crore in foreign banks. The analysis further revealed that advances per employee were significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 6.77.

Business per Employee

Average business per employee came to be Rs. 6.07 crore in Public Sector banks, Rs. 6.28 crore in Private Sector Banks and Rs. 14.36 crore in foreign banks. The analysis further revealed that deposits per employee were significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 10.42.

Total Expenditure per Employee

Average total expenditure per employee came to be Rs. 0.33, 0.41 and 0.86 crore in Public sector, Private sector and foreign banks respectively. The analysis showed that total expenditure per employee was significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 18.19.

Total Earnings per Employee

Average total expenditure per employee were highest of the order of Rs. 1.05 crore in foreign banks, followed by Rs. 0.46 crore in private sector banks and Rs.0.37 crore in public sector banks. The analysis showed that banks under all the three categories i.e. public, private and foreign sector differs significantly on total earnings per employee as shown by the F-ratio of 18.19.

Spread

Average spread in public sector banks came to be 5.20 percent, 6.11 percent in private sector banks and 3.17 percent in foreign banks. There was a significant difference in spread of public, private and foreign sector banks as shown by the F-ratio of 25.38.

Establishment Expenses per Employee

Establishment expenses per employee came to be highest of the order of Rs. 0.32 crore in foreign banks, followed by Rs. 0.12 crore in private sector banks and 0.07 crore in public sector banks. Results showed that there was a significant difference in all the three sectors of banks on establishment expenses per employee. This was also shown by the F-ratio of 34.15.

Deposits per Branch

Average deposits per employee were Rs. 46.38 crore in Public Sector banks, Rs. 96.16 crore in Private Sector Banks and Rs.853.47 crore in foreign banks. The analysis further revealed that deposits per branch were significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 25.05.

Advances per Branch

Average advances per branch were Rs. 32.82 crore in Public Sector banks, Rs. 76.18 crore in Private Sector Banks and Rs. 680.73 crore in foreign banks. The analysis further revealed that advances per branch were significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 21.21.

Table 2: Inter Sector Comparison of Productivity Ratio in Public Private and Foreign Sector Banks

Ratio	Public Sector		Private Sector		Foreign Sector		F-Ratio
	Mean	SD	Mean	SD	Mean	SD	
Deposits/Employee	3.53	2.14	3.46	1.58	7.87	5.38	7.96**
Advances/Employee	2.54	1.86	2.81	1.41	6.49	5.19	6.77**
Business/Employee	6.07	4.00	6.28	2.98	14.36	8.47	10.42**
Total Expenditure/ Employee	0.33	0.19	0.41	0.20	0.86	0.40	15.44**
Total Earnings/ Employee	0.37	0.21	0.46	0.22	1.05	0.50	18.19**
Spread	5.20	1.12	6.11	1.61	3.17	0.40	25.38**
Establishment expenditure/ employee	0.07	0.04	0.12	0.06	0.32	0.13	34.15**
Deposits/branch	46.38	21.27	96.16	20.74	853.47	605.49	25.05**
Advances/branch	32.82	19.57	76.18	21.80	680.73	526.77	21.21**
Business/branch	79.20	40.81	172.35	41.77	1534.20	875.33	38.79**
Total Expenditure/branch	4.35	1.82	11.33	3.08	90.06	33.33	90.75**
Total Earnings/branch	4.84	2.02	12.64	3.37	109.87	41.96	86.78**
Establishment expenditure/ branch	0.93	0.41	3.32	1.22	33.75	11.06	121.55**
Profit as % of Earnings	9.91	2.19	22.41	9.11	17.35	3.10	18.25**
Establishment expenditure as % of total expenditure	21.10	3.11	28.58	5.83	38.71	7.62	34.53**
Establishment expenditure as % of Business	1.23	0.18	1.89	0.48	2.51	0.60	29.62**
Total expenditure as % of Business	5.90	1.09	6.61	1.08	6.69	2.10	1.27

Source: Calculated & sourced from the Performance Highlights publications of IBA Mumbai from years 2000-01 to 2013-14

Business per Branch

Average business per branch came to be Rs. 79.20 crore in Public Sector banks, Rs. 172.35 crore in Private Sector Banks and Rs. 1534.20 crore in foreign banks. The analysis showed that deposits per branch were significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 38.79.

Total Expenditure per Employee

Average total expenditure per employee came to be Rs. 4.35, 11.33 and 90.06 crore in Public sector, Private sector and foreign banks respectively. The analysis showed that total expenditure per branch was significantly higher in foreign sector banks as compared to public sector and private sector banks. This was also confirmed by the F-ratio of 90.75.

Total Earnings per Employee

Average total expenditure per employee were highest of the order of Rs. 109.87 crore in foreign banks, followed by Rs. 12.64 crore in private sector banks and Rs. 4.84 crore in public sector banks. The analysis showed that banks under all the three categories i.e. public, private and foreign sector differs significantly on total earnings per employee as shown by the F-ratio of 86.78.

Establishment Expenses per Branch

Establishment expenses per employee came to be highest of the order of Rs. 33.75 crore in foreign banks, followed by Rs. 3.32 crore in private sector banks and Rs. 0.93 crore in public sector banks. Results showed that there was a significant difference in all the three sectors of banks on establishment expenses per branch. This was also shown by the F-ratio of 34.15.

Profit as Percentage of Earnings

Average profit to earnings ratio came to be highest of the order of 22.41 percent in private sector Banks, followed by 17.35 percent in foreign banks and 9.91 percent in public sector banks. The analysis further revealed that there was a significant difference in profit to earnings ratio of public, private and foreign sector banks as shown by the F-ratio of 18.25.

Establishment Expenses as Percentage of Total Expenses

Average establishment expenses to total expenses ratio came to be 21.10 percent in public sector Banks, 28.58 percent in private sector Banks and 38.71 percent in foreign banks. The F-ratio of 34.53 revealed that establishment expenses to total expenses ratio was significantly higher in foreign banks as compared to public and private sector banks under study.

Establishment Expenses as Percentage of Business

Average establishment expenses to business ratio came to be 1.23 percent in public sector banks, 1.89 percent in private sector Banks and 2.51 percent in foreign banks. The results showed that all the three sectors under study i.e. public, private and foreign sector differ significantly on establishment expenses to business ratio as shown by the F-ratio of 29.62.

Total Expenses as Percentage of Business

Average total expenses to business expenses ratio came to be highest of the order of 6.69 percent in foreign Banks, followed by 6.61 percent in private sector and 5.90 percent in public sector. The F-ratio of 1.27 revealed that there was no significant difference in the total expenses to business ratio in all the three sector i.e. public, private and foreign sector.

FINDINGS OF THE STUDY

- Average deposits per employee were Rs. 3.53 crore in Public Sector banks, Rs. 3.46 crore in Private Sector Banks and Rs. 7.87 crore in foreign banks. Deposits per employee were significantly higher in foreign sector banks as compared to public sector and private sector banks.
- Average advances per employee were Rs. 2.54 crore in Public Sector banks, Rs. 2.81 crore in Private Sector Banks and Rs. 6.49 crore in foreign banks. Advances per employee were significantly higher in foreign sector banks as compared to public sector and private sector banks.
- Average business per employee came to be Rs. 6.07 crore in Public Sector banks, Rs. 6.28 crore in Private Sector Banks and Rs. 14.36 crore in foreign banks. Business per employee was significantly higher in foreign sector banks as compared to public sector and private sector banks.

- Average total expenditure per employee came to be Rs. 0.33, 0.41 and 0.86 crore in Public sector, Private sector and foreign banks respectively. Total expenditure per employee was significantly higher in foreign sector banks as compared to public sector and private sector banks.
- Average total expenditure per employee were highest of the order of Rs. 1.05 crore in foreign banks, followed by Rs. 0.46 crore in private sector banks and Rs.0.37 crore in public sector banks. Banks under all the three categories i.e. public, private and foreign sector differed significantly on total earnings per employee.
- Average spread in public sector banks came to be 5.20 percent, 6.11 percent in private sector banks and 3.17 percent in foreign banks. There was a significant difference in spread of public, private and foreign sector banks.
- Establishment expenses per employee came to be highest of the order of Rs. 0.32 crore in foreign banks, followed by Rs. 0.12 crore in private sector banks and 0.07 crore in public sector banks. There was a significant difference in all the three sectors of banks on establishment expenses per employee.
- Average deposits per employee were Rs. 46.38 crore in Public Sector banks, Rs. 96.16 crore in Private Sector Banks and Rs.853.47 crore in foreign banks. Deposits per branch were significantly higher in foreign sector banks as compared to public sector and private sector banks.
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- Average profit to earnings ratio came to be highest of the order of 22.41 percent in private sector Banks, followed by 17.35 percent in foreign banks and 9.91 percent in public sector banks. There was a significant difference in profit to earnings ratio of public, private and foreign sector banks.
- Average establishment expenses to total expanses ratio came to be 21.10 percent in public sector Banks, 28.58 percent in private sector Banks and 38.71 percent in foreign banks. Establishment expenses to total expenses ratio was significantly higher in foreign banks as compared to public and private sector banks under study.

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- Average total expenses to business expenses ratio came to be highest of the order of 6.69 percent in foreign Banks, followed by 6.61 percent in private sector and 5.90 percent in public sector. There was no significant difference in the total expenses to business ratio in all the three sectors i.e. public, private and foreign sector.

CONCLUSIONS

Overall, it can be concluded that information technology (IT) benefitted the most to public sector banks (PSBs) and not much to private sector and foreign sector banks. This may be due to the reason that public sector banks born in era of manual working techniques and entered in the era of competition with a sound economic base. After the entry of private and foreign players with a sound technological basis, public sector banks rapidly provided training & development programmes to its work force, which acquire speedily and higher level of technological skills standing on the footing of sound work experience.

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